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FISCAL IMPACT STATEMENT

LS 6031

BILL NUMBER: HB 1026

NOTE PREPARED: Nov 8, 2004

BILL AMENDED:

SUBJECT: Payments in Lieu of Taxes.

FIRST AUTHOR: Rep. Koch

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires the Department of Natural Resources (DNR) to make a semi-annual payment in lieu of property taxes (PILOT) based on an assessed value (AV) of \$1,050 per acre for land owned or leased by the DNR. The bill makes an annual and continuing appropriation for a PILOT from the state General Fund.

Effective Date: March 1, 2005 (retroactive); July 1, 2005.

Explanation of State Expenditures: A county is entitled to a PILOT from the DNR for land within the county that is owned or leased by the DNR on March 1 of the previous year and is exempt from the payment of property taxes. On May 1 and November 1 of each year, the DNR must make a PILOT to each county that is entitled to receive a PILOT. The PILOT equals the product of \$1,050 multiplied by the number of acres subject to the PILOT, multiplied by the net property tax rate (after application of the property tax replacement credit) in the taxing district in which the land is located.

Not later than September 1 of each year, the Auditor of State must provide the township assessor of each township in which DNR land is located with a report of the number of DNR acres and any other information required by the Department of Local Government Finance (DLGF). The State Auditor must provide the report in a format prescribed by the DLGF.

A PILOT bears interest if unpaid.

The DLGF may adopt standards for the reporting of information that is necessary to assist townships, counties,

and conservancy districts. In cooperation with the State Auditor, the DLGF must, not later than August 1, 2005, prescribe a form for the State Auditor to report the information needed.

The bill establishes the PILOT Transfer Fund to provide money for the distributions for PILOTS made by the DNR. The State Auditor must administer the fund. Expenses of administering the fund must be paid from money in the fund. Money in the fund at the end of a state fiscal year does not revert to the state General Fund.

This bill annually appropriates from the state General Fund to the PILOT Transfer Fund the amount necessary to make the distributions. The bill continuously appropriates from the PILOT Transfer Fund an amount necessary to make the distributions. A PILOT is first due on May 1, 2006.

The DNR manages approximately 400,000 acres. (State universities own approximately 23,166 acres.) The PILOT equals the number of acres multiplied by \$1,050 multiplied by the net tax rate in the district where the land is located. Applying the statewide average net tax rate of \$1.95 per \$100 for Pay'06, the PILOT would equal an estimated \$8.2 M $((400,000 * \$1,050)/100) * \1.95 . The actual state expenditure will depend on the actual tax rates in the taxing districts where the DNR land is located.

If counties or conservancy districts used PILOT revenue to reduce property tax levies, state expenditures for property tax replacement could decrease.

The DLGF, the DNR, and the Auditor of State will experience additional administrative expenses associated with the proposal. The DLGF is required to prescribe the format on which the Auditor of State will convey information regarding the state-owned land to township assessors. The DNR is to make semi-annual payments to counties and conservancy districts. The specific impact of these provisions is indeterminable.

Explanation of State Revenues: The State Treasurer must invest money in the PILOT Transfer Fund not needed to meet the obligations of the fund in the same manner as other public money may be invested.

Explanation of Local Expenditures: A PILOT is distributed to a political subdivision within a county in the same manner as ad valorem property taxes. The proposal might result in a small increase in administrative expenses on the local level.

Explanation of Local Revenues: Beginning in CY 2006, counties and conservancy districts that contain certain land owned or leased by the DNR would receive PILOTs from the state under this proposal. PILOTs are estimated at around \$8.2 M per year. This money is in addition to all other revenues currently received and would have no effect on local property tax rates or collections unless the unit elects to use the revenue to reduce its property tax levy.

State Agencies Affected: DNR, Auditor of State, Treasurer of State, and the DLGF.

Local Agencies Affected: Counties and conservancy districts in counties that contain certain land owned or leased by the DNR.

Information Sources: Jim Lewis, State Land Office (232-3335); Local Government Database; and the DNR (233- 6904).

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